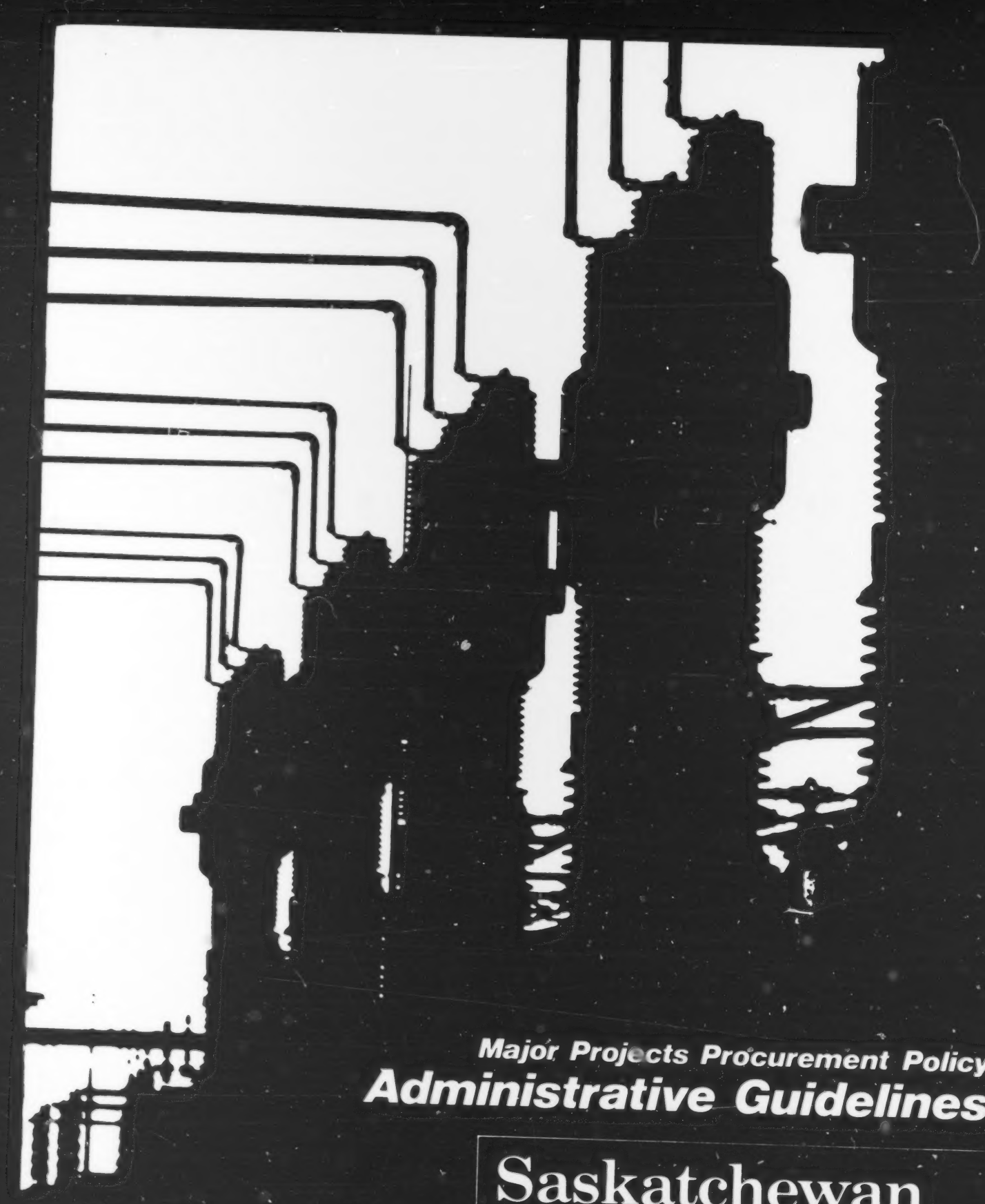

Major Projects Procurement Policy

Administrative Guidelines

Saskatchewan

85-5253/

Saskatchewan Major Projects Procurement Policy Administrative Guidelines

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For further information write:
Major Projects
Saskatchewan Economic Development & Trade
2103 - 11th Avenue
Regina, Saskatchewan
S4P 3V7

Or Call
Saskatchewan Economic Development and Trade 565-7871 (Developers)
Saskatchewan Tourism and Small Business 566-9167 (Suppliers)

Policy

The Government of Saskatchewan supports a policy which actively promotes the use of Saskatchewan firms in the construction and ongoing operation of public and private projects in the province. In order to achieve increased benefits for Saskatchewan and Canadian firms, the government seeks the active support of the public and private sectors in encouraging competitive sourcing from Saskatchewan suppliers of goods and services.

It should be clearly understood this is not intended to become an interventionist or protectionist policy that is a penalty to project developers or a bonus for local suppliers. Purchase decisions should be made on "good value" and local firms must be competitive in quality, price, delivery time and post-installation services.

Assuming the foregoing conditions are met, it is expected that the developer will use Saskatchewan engineering and professional services, tradesmen and construction personnel and equipment, materials, supplies and services in the design, construction and ongoing operation of a project. If a Saskatchewan firm is unable to competitively supply the required goods and services, the maximization of Canadian content is encouraged.

While this policy is applicable to any project in excess of $10 million, the Saskatchewan government urges voluntary adoption of this policy for all projects within the province and encourages sub-contractors to adopt a similar policy.

Objectives

The objectives of the Saskatchewan Major Projects Procurement Policy are to:

1. increase the benefits to Saskatchewan and Canada from major projects within the province by ensuring that Saskatchewan suppliers of goods and services have equal opportunity to participate in such ventures;
2. expand domestic markets through increased public and private sector procurement of Saskatchewan goods and services;
3. encourage new investment by identifying Saskatchewan opportunities for import replacement, new technologies and technology transfer;
4. assist major project developers to locate Saskatchewan sources for commodity and service requirements.

Benefits

The support and implementation of this policy will:

1. develop a more competitive, innovative and diversified core of Saskatchewan and Canadian suppliers of goods and services;
2. create a national and international awareness of Saskatchewan products and capabilities while developing in-province expertise and capacity for exports;
3. strengthen and broaden the economic base of Saskatchewan;
4. reduce the reliance on imports and increase employment opportunities within Saskatchewan.

Assistance for Project Developers and Suppliers

Saskatchewan Economic Development and Trade will assist project developers to implement this policy by:

1. informing developers of the government's policy and procedures and ensuring that the policy is understood by developers;
2. organizing and implementing industry briefing seminars to provide maximum exposure of project opportunities and procurement policies;
3. providing a project officer to assist the developer during all phases of development;
4. providing developers with available lists, catalogues, directories and company profiles of Saskatchewan engineers, consultants, contractors, manufacturers, suppliers and service firms;
5. identifying existing product/service gaps and encouraging Saskatchewan firms to fill these gaps.

Saskatchewan Tourism and Small Business, in co-operation with Saskatchewan Economic Development and Trade, will assist Saskatchewan suppliers of goods and services by:

1. notifying Saskatchewan suppliers of major projects and their commodity and service requirements and providing information on:
   - — key personnel contacts
   - — commodity and service requirements and timing
   - — procurement policies and practices
2. assisting Saskatchewan suppliers who wish to be listed on the developers' vendor lists;
3. assisting suppliers to understand project developers' procurement policies and information requirements;
4. assisting Saskatchewan firms to increase their participation in major projects, both within Saskatchewan and throughout Canada;
5. arranging meetings between suppliers and developers.

Guidelines for Developers

Developers are encouraged to:

1. notify Economic Development and Trade of development intentions at the earliest possible date in order to provide the maximum exposure and lead time to develop project suppliers;

2. set targets for Saskatchewan and Canadian content and to develop a plan to meet these targets. The government will actively assist developers to meet or exceed these targets;

3. use the Saskatchewan content form developed by Saskatchewan Economic Development and Trade (Appendix "A");

4. adopt new policies or review existing procurement policies to ensure that they:
   (a) set performance standards rather than design standards;
   (b) use generic terms rather than brand name, trademark or patent in tenders;
   (c) provide adequate time for bid completion;
   (d) allow for the packaging of tenders in smaller units to allow more firms an opportunity to bid; and
   (e) provide for regular updates of lists of vendors.

5. establish a local procurement presence.

Information Requirements

Information requirements have been grouped to fit the normal phases of project planning development and implementation. An Economic Development and Trade project officer will discuss requirements and timing (which are adjustable to the developer's schedule, reporting procedures and "in house" records) with the developer.

The confidentiality of all such information obtained during this process will be maintained and material will not be made available to others without the concurrence of the developers.

Phase 1

Conceptual Stage

Saskatchewan Economic Development and Trade wishes to be advised at the earliest possible time of all proposed major projects. Conceptual projects are subject to the developer's internal approvals and may be considered as privileged information. However, Economic Development and Trade may be able to assist the developer by providing necessary government contacts and reducing or eliminating red tape. All information supplied at this stage will be kept confidential.

Phase 2

Preliminary Design (Project Definition) — Feasibility Study

Information Requested by Economic Development and Trade	Purpose
1. Letter of intent (Appendix "B")	— to ascertain developer's commitment to work with Economic Development and Trade
2. Copy of project proposal	— to provide maximum lead time to alert potential suppliers and to ensure that they are aware of potential opportunities
3. Identification of products and services that the developer does not expect to be available from Saskatchewan or Canadian sources	— to assist Saskatchewan Economic Development and Trade to provide the developers with additional sources of potential Saskatchewan/Canadian suppliers
4. Need for new products or technologies	— to provide lead time to alert firms to new requirements and opportunities
5. Names and addresses of engineering contractors being considered for the project	— to ensure that Saskatchewan firms are being considered
6. Names and addresses of international suppliers who will be considered for bidding on critical, long lead time goods and services	— to develop a list of firms who might be encouraged to establish in Saskatchewan or to increase Saskatchewan content in their products or services
7. Estimated and realized Saskatchewan/Canadian content for service and commodity requirements	— to review Saskatchewan/Canadian content and to assist the developer to meet or increase this content

Phase 3

Project Engineering and Design

Information Requested by Economic Development and Trade	Purpose
1. Definition of project including alternative methods, processes and designs	— to assist with early identification of potential suppliers
2. Statement of developer's procurement policy including identification of purchasing practices regarding bid preparation, submissions, expected performance and pre-qualification requirements and plans to establish a local procurement presence	— to provide information on procurement policy and to identify any biases which would restrict Saskatchewan opportunities — to provide an opportunity for developer to work with project officer to develop a "best value" procurement policy that emphasizes Saskatchewan and Canadian content
3. Project timing	— to assist with development of department's timing schedule
4. Block flow diagrams showing major process units where applicable	— to alert suppliers of potential opportunities in advance of detailed lists
5. List of major components and prospective vendors on long lead time goods and services	— to assist in identifying potential Saskatchewan supply firms
6. Rough order of the magnitude of the goods and services required	— to assist with identification of potential opportunities and supply sources

7. Identification of critical and long lead time goods and services; special equipment applications or requirements; new technologies or technology transfers new to Canada or Saskatchewan	— to provide sufficient lead time for Saskatchewan/ Canadian suppliers to develop or transfer new technology or to expand or to increase capacity
8. An organization chart indicating key engineering and procurement personnel	— to provide contact for industry and government personnel
9. Detailed lists of goods and services including timing requirements in advance of tendering	— to provide information to potential suppliers and to identify opportunities
10. Schedule of tenders	— to ensure Saskatchewan firms are aware of tenders and have sufficient time to tender on projects
11. List of potential service or supply firms being considered for tenders	— to provide an opportunity to review, update and add potential Saskatchewan suppliers
12. Estimated and realized Saskatchewan/Canadian content for services and commodity requirements	— to review Saskatchewan/Canadian content and to assist developer to meet or increase this content

Phase 4

Final Engineering and Construction

Information Requested by Economic Development and Trade	Purpose
1. Identify a senior company official as the contact person for Saskatchewan Economic Development and Trade project officer	— to provide a liaison between the project sponsor and Saskatchewan Economic Development and Trade to facilitate information flow
2. Projected construction schedule and regular updates	-- to provide bench marks for lead times, follow-ups, etc.
3. Vendor lists	— to ensure that potential Saskatchewan suppliers are included on vendor lists
4. Updated lists of commodity/service requirements as they become available	— to keep potential suppliers informed and to identify new opportunities
5. Regular reports on Saskatchewan, Canadian and foreign purchases	— to track purchasing patterns to compare with projected Saskatchewan/Canadian content

Phase 5

Operating Stage

Information Requested by Economic Development and Trade	Purpose
1. List of ongoing commodity and service requirements, including value, quantity and frequency required	— to identify new or ongoing opportunities
2. Establish a list of vendors and procedures to update	— to establish a mechanism to ensure Saskatchewan firms have equal opportunities
3. Identification of imported commodities which operator would like to source in Saskatchewan or Canada	— to identify import replacement opportunities
4. Updated organization chart indicating key positions and personnel	— to provide current names of contacts
5. Periodic reports of actual Saskatchewan/Canadian content as a percentage of total purchases	— to track purchasing patterns to compare with projected Saskatchewan/Canadian content

The Saskatchewan Content Definition

Saskatchewan Economic Development and Trade encourages major project developers and suppliers to use the Saskatchewan Content form (Appendix "A") for the purposes of the Saskatchewan Major Projects Procurement Policy.

Major project developers are encouraged to have the entire form, or reasonable facsimile, completed by suppliers for all purchases over $50,000. Quotations or tenders submitted without the requested form should be considered to contain zero percent Saskatchewan Content.

What is Saskatchewan content?

Everything added in Saskatchewan — labour, materials and overhead — qualifies as Saskatchewan content. For the Saskatchewan content calculation the total value of each of these items added in Saskatchewan is divided by the total actual tender bid. The following definitions clarify what costs are to be included within each category.

All costs should be calculated according to generally accepted accounting principles. The signature of an officer of the company on the form will certify that the Saskatchewan content stated is correct. Supporting documents should be available for the Department of Economic Development and Trade upon request.

Definitions

Materials

1) **For Goods:** This represents those items purchased for use in the manufacturing process. The value of the items should include transportation costs, handling charges, sales taxes, etc. Only those items **manufactured** in Saskatchewan are to be considered as Saskatchewan content.

2) **For Service Firms:** At the contractor level, values for materials are based on the cost of materials used and as such do not necessarily describe the total installed. In some instances materials are provided by the general contractor, building owner or project developer for installation by the contractor. In the same manner, materials purchased by the contractor may be provided free to sub-contractors and should be included as a material cost for the contractor and not the sub-contractor. For other services, this represents the cost of materials used for the provision of the specific service.

Labour

This should include the cost for production-related workers in manufacturing activity, trades and labourers in contract work and labour directly associated with the provision of a service. The Saskatchewan content of this item should only include wage costs incurred in Saskatchewan.

Salaries and wages are to be calculated before deductions for income tax and benefits and include payments for regular work, overtime, paid leave, commissions and bonuses.

Overhead

In determining the Saskatchewan content of overhead, the following expenses may be included:

1) **Factory Overhead**
   - wages paid for indirect production and non-production labour in Saskatchewan;
   - workers' compensation, unemployment insurance premiums, pension contributions and similar expenses incurred in respect to the labour referred to above;
   - cost of utilities (heat, light, power and water);
   - fire or other insurance premiums relative to production inventories and the manufacturing plant and its equipment paid to a company authorized to carry on business in Saskatchewan;
   - rent for factory premises paid to a beneficial owner in Saskatchewan;
   - maintenance and repairs that are performed in Saskatchewan to buildings, machinery and equipment used for production purposes;
   - depreciation;
   - miscellaneous factory expenses.

2) **Transportation Costs**
   This item should include the costs of any intermediate moves within Saskatchewan associated with the manufacturing process as well as the transportation costs from the manufacturing plant to the F.O.B. point.

3) **Equipment**
   This item should include the costs of renting or leasing equipment necessary for the completion of a service or contract. The Saskatchewan content shall be determined by the cost originating in Saskatchewan.

4) **Sales & Administrative Overhead**
   This item should include head office overhead that is chargeable to the goods and services. If management fees or research and development assessments are paid to a non-Saskatchewan parent, these must be shown as non-Saskatchewan content.

5) **Engineering & Development**
   This item should include applicable costs to the goods or services being evaluated.

6) **Duties, Sales Taxes & Profits**
   Only Saskatchewan sales taxes and profits taxable in Saskatchewan are to be considered for Saskatchewan content. Canadian duties, sales taxes and profits taxable by the federal government are to be considered for Canadian content.

7) **Other Miscellaneous Costs**
   This items should detail miscellaneous costs that are not otherwise covered under previous items.

Saskatchewan Content

Content in $'000

A) Saskatchewan

Materials _____

Labour _____

Overhead _____

Subtotal _____

B) Canadian

Materials _____

Labour _____

Overhead _____

Subtotal _____

C) Imported (Non-Canadian)

Materials _____

Labour _____

Overhead _____

Subtotal _____

D) Total Actual Bid _____

E) Saskatchewan Content $\frac{A}{D} \times 100$ _____ %

F) Canadian Content $\frac{B}{D} \times 100$ _____ %

G) Imported Content $\frac{C}{D} \times 100$ _____ %

Certification of Saskatchewan Content: I hereby certify that the Saskatchewan Content as stated above is correct.

Signature _____ Position _____ Date _____

Company Name and Address _____

Major Projects Procurement Policy

Letter of Intent

Items to be Covered

_____ (Proponent) supports the Major Project Procurement Policy and will co-operate with Saskatchewan Economic Development and Trade to maximize Saskatchewan content in all phases of construction of the _____ (project).

_____ (Proponent) will:

- provide fair opportunity for Saskatchewan supply and service firms to tender on procurement requirements;
- provide relevant procurement information to Economic Development and Trade to assist in the development of local sources of supply.
- identify the Saskatchewan content of goods and services used in the project.
- advise all bidders on contracts that _____ (proponent) is fully supportive of the Major Projects Procurement Policy.
- establish a local procurement office.
- maximize Canadian content where Saskatchewan firms are unable to competitively supply the required goods and services.

_____

Signing Officer for Company